

WAUBONSIE MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 AND 2014

WAUBONSIE MENTAL HEALTH CENTER

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WAUBONSIE MENTAL HEALTH CENTER
Officials
June 30, 2015

| <u>Board of Directors:</u> | <u>Address</u> | <u>Term Expires</u> |
|------------------------------------|----------------|---------------------|
| Kirk Requist, Chairperson | Stanton, Iowa | 2017 |
| Elaine Armstrong, Vice-Chairperson | Clarinda, Iowa | 2016 |
| Thomas Clark, Secretary/Treasurer | Tabor, Iowa | 2016 |
| Randy Hickey | Thurman, Iowa | 2015 |
| Sharon Yahnke | Sidney, Iowa | 2015 |
| Rex Galloway | Villisca, Iowa | 2016 |
| Nancy Jaeckel | Essex, Iowa | 2015 |
| Ray James | Clarinda, Iowa | 2015 |
| Mark Peterson | Stanton, Iowa | 2016 |
| <u>Executive Director:</u> | | |
| Mary Anne Gibson | Coin, Iowa | |

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waubonsie Mental Health Center
Clarinda, Iowa

Report on the Financial Statements

We have audited the accompanying statements of financial position of Waubonsie Mental Health Center as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waubonsie Mental Health Center as of June 30, 2015 and 2014, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Waubonsie Mental Health Center

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 1 and 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2015 on our consideration of Waubonsie Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Waubonsie Mental Health Center's internal control over financial reporting and compliance.

Gunnell, Ben, Kyhn & P.C.

Atlantic, Iowa
October 29, 2015

WAUBONSIE MENTAL HEALTH CENTER
Statements of Financial Position
June 30,

ASSETS

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash | \$ 314,456 | \$ 738,876 |
| Certificates of deposit | 505,786 | 503,182 |
| Client receivables, less allowances for doubtful accounts and contractual adjustments (\$114,000 in 2015 and \$123,000 in 2014) | 175,449 | 120,664 |
| Other receivables | 2,400 | 4,124 |
| Estimated third-party payor settlements | 800,000 | 410,000 |
| Prepaid expense | 868 | 868 |
| Total current assets | <u>1,798,959</u> | <u>1,777,714</u> |
| Property and Equipment, Net | 290,230 | 118,358 |
| Other Assets | <u>--</u> | <u>2,200</u> |
| Total assets | <u>\$ 2,089,189</u> | <u>\$ 1,898,272</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 14,820 | \$ 21,778 |
| Accrued employee compensation | 88,334 | 77,394 |
| Deferred grant revenue | <u>--</u> | <u>60,679</u> |
| Total current liabilities | 103,154 | 159,851 |
| Net Assets: | | |
| Unrestricted | <u>1,986,035</u> | <u>1,738,421</u> |
| Total liabilities and net assets | <u>\$ 2,089,189</u> | <u>\$ 1,898,272</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Statements of Activities and Changes in Net Assets
Year ended June 30,

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|---------------------|---------------------|
| Support and Revenue: | | |
| Support: | | |
| Support from participating counties | \$ 19,880 | \$ 60,862 |
| Grants | <u>69,679</u> | <u>4,858</u> |
| Total support | 89,559 | 65,720 |
| Revenue: | | |
| Client fees, net | 1,918,040 | 1,564,704 |
| Other revenue | <u>12,208</u> | <u>16,961</u> |
| Total revenue | <u>1,930,248</u> | <u>1,581,665</u> |
| Total Support and Revenue | 2,019,807 | 1,647,385 |
| Expenses: | | |
| Operating expenses | 1,726,618 | 1,403,421 |
| Provision for depreciation | <u>35,689</u> | <u>32,350</u> |
| Total expenses | <u>1,762,307</u> | <u>1,435,771</u> |
| Operating Income | 257,500 | 211,614 |
| Other Support and Gains (Losses): | | |
| Interest income | 3,453 | 4,010 |
| Contributions | 471 | 155 |
| Loss on disposal of assets | (13,810) | -- |
| Other support and gains (losses), net | <u>(9,886)</u> | <u>4,165</u> |
| Increase in Unrestricted Net Assets | 247,614 | 215,779 |
| Net Assets, Beginning of Year | <u>1,738,421</u> | <u>1,522,642</u> |
| Net Assets, End of Year | <u>\$ 1,986,035</u> | <u>\$ 1,738,421</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Statements of Cash Flows
Year ended June 30,

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from clients, third party payors, and contracting agencies | \$ 1,473,255 | \$ 1,741,963 |
| Cash paid to suppliers and employees | (1,720,436) | (1,376,316) |
| County support received | 19,880 | 60,862 |
| Grants received | 10,724 | 71,235 |
| Interest income | 3,453 | 4,010 |
| Contributions received | 471 | 155 |
| Other operating revenue | <u>12,208</u> | <u>25,940</u> |
| Net cash provided by (used in) operating activities | (200,445) | 527,849 |
| Cash flows from investing activities: | | |
| Capital expenditures | (222,321) | (103,615) |
| Proceeds from disposal of assets | 950 | -- |
| Additions to certificates of deposit | <u>(2,604)</u> | <u>(3,198)</u> |
| Net cash used in investing activities | <u>(223,975)</u> | <u>(106,813)</u> |
| Net increase (decrease) in cash | (424,420) | 421,036 |
| Cash beginning of year | <u>738,876</u> | <u>317,840</u> |
| Cash end of year | <u>\$ 314,456</u> | <u>\$ 738,876</u> |

(continued next page)

WAUBONSIE MENTAL HEALTH CENTER
Statements of Cash Flows - Continued
Year ended June 30,

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|--------------------------|
| Reconciliation of change in net assets to net cash provided by (used in) operating activities: | | |
| Change in net assets | \$ 247,614 | \$ 215,779 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Provision for depreciation | 35,689 | 32,350 |
| Loss on disposal of assets | 13,810 | -- |
| Other receivable write-offs | -- | 8,979 |
| Change in assets and liabilities | | |
| Accounts receivable | (443,061) | 182,957 |
| Prepaid expense | -- | (94) |
| Accounts payable | (4,758) | 17,339 |
| Accrued employee compensation | 10,940 | 9,860 |
| Deferred grant revenue | (60,679) | 60,679 |
| Total adjustments | <u>(448,059)</u> | <u>312,070</u> |
| Net cash provided by (used in) operating activities | <u><u>\$ (200,445)</u></u> | <u><u>\$ 527,849</u></u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

The Waubonsie Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Board includes a representative from the County Board of Supervisors of each of the three counties in the service area (Fremont, Montgomery and Page counties). Each of these members serve an annual term. The six remaining members of the Board of Directors serve three year terms and are selected by the existing Board.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

3. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by laws.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected government program and insurance payments.

6. Unrestricted Revenues and Support

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program and insurance limitations deducted to arrive at net fees from clients. Medicaid services are reimbursed based on a cost reimbursement methodology. The Center is reimbursed for these services at a tentative rate with a final settlement determined after submission and review of an annual cost report. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- b. Fees from participating counties are based on the Center's annual budget and are allocated among the counties based on their relative usages and populations.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

7. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on equipment and vehicles using the straight-line method. Lives range from five to ten years for equipment, ten to twenty-five years for buildings and leasehold improvements and five years for vehicles.

8. Capital Leases

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Such assets are amortized evenly over the related lease terms or their economic lives with the amortization expense being included in the provision for depreciation. Interest expense relating to the lease liabilities is recorded to effect constant rates of interest over the terms of the leases.

9. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 6. above. These reductions are recorded as adjustments to fees from clients.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicaid - Certain services are paid based on a cost reimbursement methodology. The Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary. The Center's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2013. However, finalized cost reports are subject to re-opening by the intermediary.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------|-------------------|
| Land | \$ 20,000 | \$ -- |
| Building and Leasehold Improvements | 208,946 | 36,039 |
| Office Equipment | 163,094 | 262,482 |
| Automobiles | <u>52,765</u> | <u>72,999</u> |
| | 444,805 | 371,520 |
| Less Accumulated Depreciation | <u>154,575</u> | <u>253,162</u> |
| | <u>\$ 290,230</u> | <u>\$ 118,358</u> |

Rent expense for office space and transitional living program housing under cancelable operating leases totaled \$34,587 for the year ended June 30, 2015 (\$45,357 for June 30, 2014).

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2015 and 2014

NOTE D - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

| | <u>2015</u> | <u>2014</u> |
|------------------------|---------------------|---------------------|
| Client Services | \$ 1,544,019 | \$ 1,272,203 |
| Management and General | <u>218,288</u> | <u>163,568</u> |
| | <u>\$ 1,762,307</u> | <u>\$ 1,435,771</u> |

NOTE E - RETIREMENT PLAN

The Center offers a 403(b) retirement plan in which the Center contributes five percent of an eligible individual's gross wages, limited to \$40,000, to the plan. All full-time staff with two months of employment and who are over eighteen years of age are included in the plan. Total contributions made by the Center for the year ended June 30, 2015 were \$33,868 (\$31,312 for 2014).

NOTE F - INCOME TAXES

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Center does not believe it has any income derived from unrelated business activities. The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Center's federal Returns of Organization Exempt from Income Tax (Forms 990) are subject to examination by the IRS, generally for three years after they were filed. Management believes that returns prior to fiscal year 2012 are no longer subject to income tax examination.

NOTE G - CONTINGENCIES

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Waubonsie Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2015 and 2014

NOTE G - CONTINGENCIES - Continued

Economic Dependency

The Center received approximately 9 percent of its total support and revenue from Fremont, Montgomery and Page counties and the Southwest Iowa MHDS region in 2015 (20 percent in 2014).

Subsequent Events

The Center has evaluated all subsequent events through October 29, 2015, the date the financial statements were available to be issued.

NOTE H - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2015 and 2014, was as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|-------------|-------------|
| Medicare/Medicaid | 70% | 57% |
| Other third-party payors and patients | <u>30</u> | <u>43</u> |
| | <u>100%</u> | <u>100%</u> |

* * *

SUPPLEMENTARY INFORMATION

WAUBONSIE MENTAL HEALTH CENTER
Revenues and Support
Year ended June 30,

| <u>Client Fees</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Self Pay and 3rd Party Insurance | \$ 395,821 | \$ 541,714 |
| Title XIX | 1,027,581 | 862,976 |
| Integrated Health Program | 504,657 | -- |
| Region and County Funding | <u>118,551</u> | <u>276,180</u> |
| Gross Client Fees | 2,046,610 | 1,680,870 |
| Less: | | |
| Contractual Adjustments | 128,570 | 115,966 |
| Provision for bad debts | <u>--</u> | <u>200</u> |
| | <u>128,570</u> | <u>116,166</u> |
| Net Client Fees | <u>\$ 1,918,040</u> | <u>\$ 1,564,704</u> |
| <u>Support from Participating Counties/Regions</u> | | |
| MHDS Region | \$ 18,000 | \$ -- |
| Fremont | -- | 7,500 |
| Montgomery | -- | 21,275 |
| Page | <u>1,880</u> | <u>32,087</u> |
| | <u>\$ 19,880</u> | <u>\$ 60,862</u> |

See Independent Auditor's Report.

WAUBONSIE MENTAL HEALTH CENTER
Operating Expenses
Year ended June 30,

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|---------------------|---------------------|
| General Operating: | | |
| Administrative salaries | \$ 35,176 | \$ 35,886 |
| Therapists salaries | 664,035 | 492,712 |
| Clerical salaries | 198,541 | 175,480 |
| Psychiatric consultation | 239,651 | 247,640 |
| Employee benefits | 157,541 | 128,270 |
| Payroll tax expense | 73,906 | 58,737 |
| Audit, accounting, and legal fees | 13,974 | 13,298 |
| Other professional fees | 49,645 | 41,031 |
| Office supplies | 32,427 | 30,094 |
| CSP program expenses | 2,218 | 2,495 |
| Telephone | 4,940 | 4,703 |
| Emergency communication | 6,543 | 4,296 |
| Postage and shipping | 5,111 | 4,941 |
| Rent expense | 24,235 | 34,432 |
| Building repairs and maintenance | 6,111 | 2,230 |
| Insurance expense | 21,160 | 15,403 |
| Utilities | 6,857 | 537 |
| Travel expense | 24,576 | 19,602 |
| Agency vehicle expense | 8,897 | 9,759 |
| Staff development and training | 5,729 | 2,322 |
| Subscriptions | 63 | 13 |
| Organization dues | -- | 1,610 |
| Equipment repairs and maintenance | 2,231 | 2,656 |
| Advertising | 4,697 | 5,185 |
| Medication expense | 468 | 341 |
| Miscellaneous | 39,239 | 1,220 |
| | <u>1,627,971</u> | <u>1,334,893</u> |
| Peer Support Services: | | |
| Salaries | 27,590 | 24,677 |
| Employee benefits | 3,326 | 3,059 |
| Travel expense | 940 | 590 |
| Other expense | 52,907 | 27,005 |
| | <u>84,763</u> | <u>55,331</u> |
| Transitional Living Program: | | |
| Housing | 10,353 | 10,925 |
| Other expense | 3,531 | 2,272 |
| | <u>13,884</u> | <u>13,197</u> |
| | <u>\$ 1,726,618</u> | <u>\$ 1,403,421</u> |

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Waubonsie Mental Health Center
Clarinda, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waubonsie Mental Health Center, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Waubonsie Mental Health Center's basic financial statements and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Waubonsie Mental Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waubonsie Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waubonsie Mental Health Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

To the Board of Directors
Waubonsie Mental Health Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waubonsie Mental Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Response to Findings

Waubonsie Mental Health Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Waubonsie Mental Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gene Wold, Ben, Kuhn & Co., P.C.

Atlantic, Iowa
October 29, 2015

WAUBONSIE MENTAL HEALTH CENTER
Schedule of Findings and Responses
Year ended June 30, 2015

PART I: REPORTABLE CONDITIONS

15-I-A Segregation of Duties: One person has the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency. However, this is not uncommon for businesses of this size.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *